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SUBJECT: Southern Taiwan Farmers Expect China's Fruit Import Policy to Have Scant Impact on the Farm Vote

¶1. Summary: Farmers' Association representatives in Tainan and Pingtung Counties said that China's offer of tax free importation of certain species of tropical fruit from Taiwan is largely a political ploy. They point out that Taiwan is a net importer for several of the fruits, and already has a mechanism in place for exporting the others. Since brokers on the mainland deal with all of the import tax issues, any benefit from the scheme would accrue to the brokers rather than to Taiwan's farmers. Moreover, they fear that if the scheme is implemented, mainland farmers who produce the same crops may demand access to Taiwan's market. While they said while some individual farmers might be swayed to vote for pan-Blue candidates, most of their members see the ploy for what it is and will continue to support pan-Green candidates. End Summary.

¶2. Following visits to Beijing by pan-Blue leaders Lien Chan and Soong Chu-yu, Beijing announced on July 28 a plan to allow Taiwanese farmers a total import tax exemption for certain species of tropical fruits exported to China. The species include pineapples, papayas, star fruits, mangos, guavas, grapefruits, coconuts, plums, peaches, persimmons, loquats, Chinese dates, custard apples, wax apples, pomelos, and betel nuts. China also offered to streamline customs clearances to alleviate difficulties of Taiwan farmers in overproduction and distribution process.

¶3. Guantien Town Agricultural Association Secretary General, Lin Cheng-jong, said Beijing's offering is purely a trick, using import policy in an attempt to manipulate Taiwanese farmers' votes, particularly in the pan-Green's southern stronghold. Lin pointed out that among the particular list of fruits selected for the tax exemption, betel nuts, loquats, persimmons, and peaches, are products that Taiwan does not produce in sufficient quantities to meet domestic demand. There is no problem with oversupply or distribution of these species. Lin went on to say that export mechanisms already exist for the other species on the list. He said that there is no problem with accessing the China market, but that Japan and Korea are the preferred markets, due to higher prices.

¶4. President Chen Tai-neng, of Taiwan's Wax Apple Development Association in Pingtung County, stated that members have been selling wax apples to the China market, as well as other foreign markets, for more than five years. Pingtung County farmers produce approximately 82 percent of Taiwan's total wax apple crop. They currently export approximately 100,000 kg of wax apples annually to markets in Canada, Hong Kong, Singapore, Russia, and China. They ship to China using the mini three links from Kaohsiung to Xiamen via Kinmen.

¶5. According to Chen, the members sell their produce to local brokers in Xiamen and the brokers deal with all import, tariff and customs issues. Wax apple farmers sell their produce at a 40 percent premium compared to Taiwan's domestic market. The brokers deal with all import related issues and assume all risk resulting from government induced delays or irregularities in the China market. Chen said Taiwan's Council of Agriculture (COA) and Taiwan External Trade Development Council (TAITRA) have helped promote exports to other markets and that the members see no need for government assistance in accessing the China market. The Association's members said Beijing's offer would only benefit the brokers. Further, they worry that the offer could disrupt the market by inducing marginal producers of wax apples to enter the market and adversely impact pricing.

¶6. Lin went on to point out that import duties are a minor cost compared to locally imposed sales taxes of 13.5 percent currently levied on Taiwan fruit. These taxes will not be affected by the new policy. Further,

doing business directly rather than through a broker would make Taiwan's farmers assume risks currently assumed by the brokers.

¶7. Lin said further that most of crops on the list are also grown by Taiwanese farmers in China. Lin said those Taiwanese Agri-business concerns in China are in fact hoping that, once China's markets are opened to Taiwan's produce, Beijing could request that Taiwan grant China the same tax treatment on their produce. Lin worried that such an outcome could do severe damage to Taiwan's agriculture industry.

¶8. While farm groups remain wary of Chinese overtures, Secretary General Huang Cheng-ching of Yujing Town Agricultural Association said that his Association is currently pursuing opportunities in Guangzhou and Fuzhou. Huang said that Taiwan needs to seriously study any opportunity to expand Taiwan's agricultural markets.

¶9. The Associations' executives uniformly agreed that Beijing's overtures might sway some votes among their membership. However, they went on to say that most of their membership is sophisticated enough to see Beijing's offer as a ruse designed to benefit pan-Blue candidates rather than a genuine effort to aid Taiwanese farmers. They said that if Beijing really hopes that such an offer will shake farm support for pan-Green candidates in Southern Taiwan, Beijing is in for a disappointment.

¶10. Comment: The arguments made by the Farmers' Association were reflected repeatedly in visits by AIT/K to DPP party offices throughout the south. Pingtung, Chiayi, and Taitung DPP officials all called the fruit export issue an "empty one" that will play no role whatsoever in turning green votes into blue votes. While this issue may have captured the attention of the press and non-farming audiences, it is a non-starter for the KMT in local elections where the voting population includes a significant number of farmers. Historically, the Associations have refrained from endorsing candidates from either side. However, their membership, like most other demographic groups in the South, has supported DPP candidates in recent years. End Comment.

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